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The **Management REVIEW**



JULY, 1943

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HOW simplification and standardization have made the wheels of war production spin faster is described by Howard Coonley in a feature abstract of this issue (**The Simpler Things to Come**—page 252). As a result of 75 simplification orders by the War Production Board in 1942, vast quantities of critical materials (including 600,000 tons of steel and 17,000 tons of copper) were conserved for war needs, while 10 per cent of the manpower in the industries involved was released for more essential tasks. Four thousand tons of steel were saved merely by the elimination of "bobby pins."

This year, as WPB's simplification and standardization program gains momentum, the savings achieved through attention to such "tremendous trifles" will multiply. In all, industry's productive capacity will be augmented 10-20 per cent, stockpiles of critical materials will be increased, transportation loads will be reduced, and warehouse space conserved. Most important, a labor army of 5,500,000 men will be freed for the production of essential war goods.

RACKETS and abuses which have made inroads in many war plants are proving such serious deterrents to production that management is calling on private detectives to cope with them. In some rapidly expanded war industries, for instance, a "black market" has sprung up in stolen tools. Among retail establishments, rationing has resulted directly in an increase in thefts. Working under cover, plant detectives are hot on the trail of thieves, saboteurs, rumor-mongers, bookmakers, gamblers and other undesirables. More about the Hawkshaws of industry on Page 241.

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THE MANAGEMENT INDEX

General Management

Toward a Mixed Economy

WHEN the war ends, the economies of many democratic nations are going to look like something from back of the moon. That of the United States already looks pretty weird by pre-war standards. Who is going to run it after the war—government men or business men? My guess is, both are going to help run it, and without grudge fights. A business-government partnership to keep production and employment at a high level is the best insurance that can be had against a native form of fascism.

My bias, if you want to call it that, is founded on a conviction that a high-energy economy must have some overhead controls, or repeatedly go smash as in 1932. The legitimate place for such controls is in the government. A national chamber of commerce or a national association of manufacturers might or might not do a better job, but if either did it, it would be usurping political power. A democratic electorate would hardly stand for it.

Now you know my bias and may discount my views accordingly. Perhaps I should add one more conviction: I think it unnecessary and probably disastrous for a "grudge fight" to go on between business men and government men; but if such a fight must go on, the loser will not be the government.

Why not? In part because of a massive long-term trend everywhere toward centralized control, and in part because of the strange and unfamiliar characteristics that the economic system will have on Armistice Day of World War II. From where we are now—call it midway between Armistice Day and the relative normalcy of pre-war days—we can already see some of these characteristics. Let me remind you of them, as I see the situation in the United States, since we must all face them when the time comes:

1. A record-breaking national income—say, 150 billion dollars at 1943 prices.
2. A record-breaking national debt—say, 200 to 300 billion dollars. Various

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financial authorities have issued statements about this colossal debt and assured us that it will not wreck the country. But it will be a new experience.

3. Taxes which may total half the annual dollar cost of the war—say, 50 billions in taxes a year.

4. More than half of American production devoted to war. Even in 1943 the ratio will be close to 60 per cent; by Armistice Day it may have reached 70 per cent. Seventy per cent war production is a frightening enough figure, but there is some comfort in the prospect that it will not all be liquidated when the war stops. Some of it represents food, clothing, medical care for the men in the armed forces.

5. At least 30 million citizens on the government's war payroll—10 million directly, in the armed forces; 20 million indirectly, in war industries. These people cannot be fired overnight or reemployed at once by private business.

6. A banking system completely dominated by the Federal Government.

7. Transport and communications highly integrated under government control.

8. The whole pattern of agriculture drastically changed, including the kinds of crops grown, the labor supply, the market mechanisms.

9. An unprecedented structure of industry. Factories will have been closed, or converted, or "consolidated" to produce "victory models" in consumers' goods. Much retail business will have completely disappeared.

10. Many big businesses teamed with government through war orders and through the government jobs of their executives. Many of them will be controlled by government through the restriction of patent monopolies and restriction of so-called "administered prices." Many will be operating plants leased from the government.

11. A drastic shrinkage in advertising and sales forces.

12. A mass leveling of living standards, due to shortages and rationing.

13. A foreign "trade" which is no longer trade, but something I shall not attempt to describe. By Armistice Day the United States may have lend-leased more than 50 billion dollars' worth of goods to the United Nations. Many pre-war international contacts will have disappeared, while new international institutions will have replaced them.

This is the kind of picture the United States is likely to present on

and after Armistice Day. Similar pictures will prevail in other United Nation or non-belligerent lands. Whether we like it is not important; most of us will not like it. What is very important, however, is not to let our dislike overcome our power of realistic adjustment. We had better not say, "The war is over and we are going back to 1940." We shall have to face the facts as they really are on Armistice Day. Many government controls will be tapered off, if citizens cooperate, but there are three main controls that I believe will have to stay.

One such control involves the responsibility for full employment. For example, how many of those 30 million Americans who have been fighting and working for their country will private employers be able to hire? We may be sure private employers cannot hire them all. The government can take up the slack through postwar public works of various kinds, supplemented by a broader program of social security.

Other controls will involve the circulation of money, which moreover is closely connected with the volume of employment. The third main system of controls that I think cannot be removed is the supervision of business negotiations with other countries or their nationals—the United States must never again be exposed to the kind of damage that was done in connection with Axis-controlled cartels and patents.

The United States will see more of what it has now—namely, a *mixed*

economy, with the accent on the question of what tasks are to be done and who can do them best. For a mass-production task, we need the facilities and experience of big industry, and we need enough supervision to guard against restriction of output. For smaller tasks of production we need little industry; and we need any number of small retail establishments,

from which most wartime controls will happily be lifted. For many needs of farmers and consumers, cooperative organizations can perhaps do the best job. For promoting science and research we need not only the laboratories of big industry but also the universities and foundations. BY STUART CHASE. *The Rotarian*, May, 1943, p. 17:3.

Code for Executives

THE code of Harry A. Bullis, President of General Mills, Inc., which is quoted below, is worthy of a Business E Award for Excellence in Executive Vision:
I Will . . .

1. Build men—big men.
2. Give everyone on the payroll an opportunity to advance if he is willing to pay the price in intelligent, hard work.
3. Emphasize the human side of the organization and build morale within the company.
4. Have a socialized mind and spirit, and attempt to see modern business as a responsible public service, and profit-making as the building of public good will, wider purchasing power, and general welfare.
5. Have a strong scientific spirit and outlook, using the research approach to every problem.
6. Follow the four R's of creative business thinking:
Realism
Research
Resolute Reasoning
Rigorous Common Sense
7. Have courage for change—daring in concept—boldness of imagination—and vigor of conviction.
8. Cooperate with government regulations: Do everything possible to maintain the American Way of Life.
9. Have high standards and make no compromise with principle.
10. Have faith in God.

—*Business Conditions Weekly* (Alexander Hamilton Institute, Inc.) 6/12/43

I-A's Preferred

HOW closely the hiring departments of war industries can cut corners is shown by the Lockheed and Vega advertisements in Los Angeles dailies, seeking I-A men for moving vital war materials from trucks and cars. The ads point out that the work requires no training, that a selectee can work even one day before induction, at \$6.00 a day, \$9 for Saturdays, and double time on Sundays. Employment is assured up to the last day of civilian life.

—*Business Week* 6/12/43

Sabotage Hunt

PPRIVATE detectives, with more work to do than ever before, have had to establish their own "priority" schedules. Slabs of bacon rank ahead of wedding presents, and forged employment releases get more attention than patent infringements.

Once the 5,000 men and women employed by private detective agencies were concerned principally with guarding conventions and hotels against pickpockets, detecting shoplifters, and protecting valuables at weddings and large receptions. They have converted to war operations now, and are guarding plants against sabotage and using their knowledge to check or prevent rackets or abuses which have appeared in hastily expanded war plants.

Some other new activities are the direct result of war production and war measures. Food rationing, for instance, has brought an increase in thefts. A large grocery chain organization has found it necessary to hire a detective agency to prevent stealing by its employees; and, in a meat-packing plant, private sleuths spotted an employee walking out of the plant with several slabs of bacon under his shirt.

The present brisk "black market" in stolen goods is another new field for these agencies. Such items as drills, reamers, taps, dies and calipers are disappearing from war plants in large numbers, with resulting loss of production time. Most plants mark their tools with some means of identifica-

tion, but the markings usually can be eradicated.

In one war plant, many workers quit for better-paying jobs even though their employer hadn't given them the required statements of availability. It became necessary to call in private detectives to find out how the statements were obtained and who forged them.

Alert agency operatives in industrial plants are tracking down the source of rumors which may hinder production, and they also are uncovering bookmakers, gamblers and other undesirables in war plants.

The increasing employment of women in factories has brought with it a rapid increase in the domestic problems of male workers. The share-the-ride plan has created situations which sometimes have led to divorce courts. In other cases, jealousy between men and women workers has resulted in damage to machinery and pre-arranged "accidents."

It's estimated there are about 700 private detective agencies in the United States and that they do an annual business of about \$20,000,000. Agencies usually are paid on a daily basis, with charges averaging about \$12 per day per man. For plant guards, charges run about \$10 a day per man. An agency operative working undercover in a plant makes between \$60 and \$100 monthly in addition to his regular earnings from the plant. BY FRANCIS M. BOGERT. *The Wall Street Journal*, May 27, 1943, p. 1:2.

Office Management

Improved Payroll Methods in the Office

THE payroll frequently represents a company's largest single cash disbursement. As often as not, detailed payroll data are an essential in compiling reliable cost information. Yet many firms have not yet realized the necessity for constant vigilance on this score. They have done a little patching for Social Security deductions, added other patches for War Bond allotments and Victory taxes, but continued with the basic framework unchanged. With office help becoming scarcer, something just *must* be done.

A fairly typical payroll must show at least the following information:

Employee's name	Social Security de-
Clock number	duction
Social Security num-	War Bond allotments
ber	Group insurance
Hours worked	Pension fund contri-
Pay rates	butions
Base pay	Hospitalization con-
Overtime	tributions
Non-cash pay (board,	Union checkoffs
lodging, etc.)	Victory tax
Total pay	Garnishments
	Loan repayments

Probably the office payroll and the shop payroll will be handled differently, although by the same personnel. In considering methods of handling payrolls, the following basic factors should be weighed:

1. Regularity in work-hours
2. Regularity in pay rates
3. Stability of workforce
4. Bases of compensation
5. Methods of paying
6. Availability of personnel
7. Availability of office machines

8. Size of the business
9. Seasonal business fluctuations
10. Peculiarities in community
11. Union agreements
12. Government regulations

The following represent the basic records, or record groups, which are essential to an adequate payroll system:

Original Entry Records: Basic pay data are first recorded on these. The group includes time clock cards, job tickets, time sheets, piece-rate schedules, and production sheets.

Summary Records: This group of records summarizes the data from the foregoing group in order to arrive at a listing or "roll" of employees. Included here is the payroll journal, which is often a loose-leaf sheet, with names or other information typed or stenciled on by addressograph equipment. The inevitable "payroll book" belongs in this group, whatever its design and format.

Earnings Records: This group consists of sheets or cards, one for each employee, showing his earnings and deductions for some specified period.

Pay Records: These comprise the checks themselves or, where pay is by cash, payroll envelopes and "pay slips" that indicate earnings and deductions as well as employees' names and numbers.

Paying by check instead of in cash is fundamental to good procedure. It not only saves time and reduces overhead cost; it makes it possible to dispense with payroll guards and facilitates the transportation of payroll when necessary. Moreover, the check furnishes proof of amount and date paid.

Another thing: Don't pay once a week, if you can arrange to do it semi-monthly or monthly—in the office, at least (the shop probably won't care for the idea). Substituting the

1st and the 15th of the month for a weekly payday will, of course, more than cut the payroll work in half.

Finally, see if you cannot take that step you've often been planning: Dispense with bound book records and pen-and-ink posting of payrolls. Personnel scarcity makes this impractical—and it takes too much time that could be devoted to more essential war activities. By BERT V. TORN-BORGH. *The Office Economist*, Volume XXV, Number 1, p. 4:3.

Employees' Wage Stabilization Records

THE addition of data relative to wage and salary stabilization on employee record cards will make these cards valuable to employers and accountants considering and preparing applications for pay increases.

In the upper right- or left-hand corner of each employee's card the following notations should be made: (1) the agency that clears wage and salary adjustments for the particular employee; (2) the date as of which the pay was stabilized; (3) the amount at which it was stabilized; (4) the maximum to which the compensation, under an established wage agreement or wage rate schedule, may be increased without approval because the increase is one of the five specifically exempt types of pay raises (promotion increase, merit increase, increase based on length of service, raise for increased production under incentive plan, increase on completion of training).

Determination of the amount at which pay was stabilized should include all forms of compensation that are a part of the wage structure—wage, salary, bonus, gifts, commissions, etc.

Such notation on each employee's record makes immediately apparent whether adjustments must be cleared through the War Labor Board or the Treasury Department. It will facilitate preparation of NWLB-10 (War Labor Board) and SSU-1 (Treas. Dept.), especially in connection with combined applications for employees in two or more different positions and with applications covering several employees occupying substantially identical positions.

With the following basic data, a Code can be prepared for entries on record cards, or information can be reproduced in full, so far as it applies to a particular employee, adding only the compensation rate and maximum for the individual:

Class	Clearing Agency	Date of Stabilization
Wage earners	War Labor Board	10/ 3/42
Salaries up to and including \$5,000	War Labor Board	10/27/42
Executives, adm. & prof. employees represented by a labor org. earning up to and inc. \$5,000	War Labor Board	10/27/42
Salaries over \$5,000	Treasury Dept.	10/ 3/42
Executives, adm. & prof. employees not represented by labor organization, regardless of salary	Treasury Dept.	<div> 10/3/42 if over \$5,000 10/27/42 if \$5,000 or less </div>

—Business Ideas for Increasing Profits (Prentice-Hall, Inc.) 5/1/43

House Magazines Are Big Business

A THRIVING division of the publishing industry gives away its product and ignores advertising—and gladly faces a prospective bill of \$50,000,000 this year. This is the business of telling the country's industrial workers about the companies they work for, and the men and women they work with.

Some 3,000 company-published magazines and newspapers do this job; they reach 30 to 40 million readers. Industrial management is convinced that the \$50,000,000 it will spend on these "house publications" will be repaid many times over in improved employee morale and a sustained high tempo of war production.

House publication editors now generally are professionals, men or women from the newspaper or magazine field. Their pay isn't too good. "Educated guesses" place the average annual salary at somewhere between \$2,000 and \$3,000, with few if any topping \$10,000.

Average cost of the publications is estimated at \$10,000 to \$12,000 a year. Here again, expense ranges upward from that of mimeographed sheets to whatever it costs to get out *GM Folks* of General Motors, with a circulation of more than 400,000.

Probably 1,000 of these publications are one-man jobs. The remaining 2,000 average two or three people on their staffs, plus volunteer worker reporters.

Less than 10 per cent take paid advertising. When they do, it is usually local advertising in the local plant newspapers. Generally, house publications avoid advertising because it might be considered an endorsement by the company of the products advertised.

—F. B. DEZENDORF in *The Wall Street Journal* 5/24/43

Time Clock System Discourages "Visiting"

AN excellent time clock system installed by a large construction company keeps an accurate check on employees working in a large area, provides effective control of working time, and discourages "visiting" on the part of workers.

When reporting in the morning or on other shifts, the employees are admitted through a gatehouse having an appropriate number of turnstiles controlled by clerks of the timekeeping department. Each worker, after being identified by his badge or photograph, is handed his time card, which the clerk withdraws from a numbered "outcard" rack. These cards correspond in number to the worker's badge so that no man may secure more than one card for padding the payroll. Rotation of gatehouse clerks eliminates any opportunity for collusion. As each man always reports at the same turnstile (which may accommodate as many as 500 men), the men are easily and quickly passed through. The men, after obtaining their time cards, go to their respective working locations. Time clocks are situated at these points, and the men punch their cards four times daily, at start of shift, start of lunch, end of lunch, and end of shift. During the day, the cards remain in "in" racks near the time clocks on the locations. This system permits "spot checking" by timekeepers or supervisors, thus discouraging the workers from "visiting" with friends on other locations. As another deterrent to "visiting," varying shapes and colors of badges or helmets are sometimes used to identify specific locations or departments.

When the men leave for the day, they take the cards to the gatehouse, where they are turned in to the timekeepers before the men are permitted to use the exit turnstiles. This prevents workmen being "punched out" by friends. The clerks merely accumulate the cards at quitting time and then, to facilitate the men's departure, replace the cards in the numbered racks after the rush is over.

—*The Hiring Line* (Vol. 2, No. 3)

The Selection of Wartime Supervisors

SUCCESS in effecting managerial improvements and in streamlining work performance in war industries depends in the last analysis on the first-line supervisor. Top management from its control tower can initiate policies, procedures and ideas, but these must be relayed to the workers by the supervisors. Their function is that of boosters on a power transmission line.

If sound principles of management and administration are to be effectuated down through the rank and file of employees, the supervisor must:

1. Have the knack of leadership—be able effectively to direct the work of his subordinates.
2. Be able to train workers, both new and old, to perform new or different operations demanded by rapidly changing conditions.
3. Be competent to give orders and instructions intelligently so that work will be properly carried out.
4. Start new workers out properly—see that they are adequately informed and appropriately and safely placed.
5. Maintain discipline of the preventive rather than corrective kind so that morale will be engendered and confidence in his leadership developed.
6. Know the capacities and personal characteristics of his subordinates in order to build up good personal relations.
7. Know how to delegate responsibility and to assume authority and accountability.
8. Be able to budget time between men, materials and management—and plan his work effectively.
9. Maintain both quantity and quality of the work produced in the unit at the maximum possible under wartime conditions.

The requirements of competent supervision will be more thoroughly appreciated if the many-sided responsibility of a supervisor is broken down in the form of a job analysis.

The personality traits or characteristics which a supervisor or foreman needs in order to succeed in the foregoing essentials of supervision may be listed as follows:

1. Physical and nervous energy.
2. Sense of purpose and direction.
3. Enthusiasm.
4. Friendliness and understanding (open-mindedness, patience).
5. Integrity (dependability, loyalty).
6. Technical skill in his field of work.
7. Decisiveness (self-confidence).
8. Intelligence.
9. Teaching skill.
10. Faith (belief in work or cause).

These traits may, of course, be interpreted more narrowly in such terms as systematic and orderly habits, cost- and budget-mindedness, etc.

The rapid expansion of personnel in war industries means that but one in possibly five supervisors has had any substantial experience as such. Very few individuals can now be freshly employed as supervisors on the basis of past experience in private industry. New supervisors must be selected from the rank and file of employees, most of whom have never before been entrusted with responsibility for directing the work of others.

The traditional method of selecting a man for a supervisory position has been to insure that he knew his job as

a worker and performed it successfully. Today relatively few employees in the newer war industries have been on their jobs long enough to understand all their own work, to say nothing of acquiring the additional skills involved in directing others.

Attention must now be centered, first of all, on better methods of selecting prospects for promotion from among those workers who appear to have a good grasp of their jobs. Haphazard appointments based merely on job skill as a worker or on personality of the "hail fellow, well met" type will not suffice.

Over and above the run-of-the-mine qualifications of a successful workman, an individual is likely to succeed as a supervisor if he displays the following traits:

1. He performs an entirely satisfactory job as a worker in the ranks.
2. He evidences a keen sense of dependability and responsibility.
3. He is a willing worker who needs relatively little supervision.
4. He gets along well with his fellows, who regard him as something of an unofficial leader.
5. He appreciates the problems of management and supervision.

An employee under consideration for promotion may be rated on questions such as these:

1. Does he get along well with people?
2. Do people like him?
3. Is he inclined to want to help out, do more than his share?
4. Is he resourceful, does he make suggestions?
5. Does he find it easy to learn new duties?
6. Is he adapted for more important responsibilities?
7. Does he have a reputation for getting things done?
8. Do others go to him for advice or suggestions?

9. Will he admit an occasional error?
10. Is he calm under stress or strain?
11. Does he desire to advance himself?

In spotting timber of supervisory caliber, it is most helpful to seek out the man who has been termed an "unofficial boss." In every work group there is one man who, by virtue of his personality, determines the attitudes of others toward their work. Workers seek his counsel and suggestions; they line themselves up behind him as their spokesman; they will be found gathered around him at lunch-time or while waiting to start work.

The prospect's willingness to assume responsibility and advance himself may be a significant factor. Today, when workers in the ranks sometimes make as much as or more than their supervisors, such motivation is essential.

The selection of a supervisor is normally made on the basis of a recommendation from a line executive acquainted with his work. A more inclusive process need not be unduly refined, but can be greatly strengthened by the use of simple ratings and interviews. If the personnel office is technically qualified to assist, tests, performance reports, and interview ratings may also be used. In any case, all *recorded* data available in the form of applications, tests and ratings should be reviewed. Personal details regarding the prospect's background, education, home situation, economic status, recreational interests, physical condition, experience, and general value may all disclose factors bearing on the proposed promotion.

When technical assistance is avail-

able, it is worthwhile to consider more detailed methods of testing and rating. A standardized test of general intelligence, for example, may be used to determine whether the candidate is of at least average mentality. A test of social intelligence will throw light on his ability to adjust himself in human relationships. An industrial version of an ascendance-submission test may indicate whether he is sufficiently dominant. A standard interview record form can be used to good advantage. Such a form can record the impression an individual makes, how well he expresses himself, how convincing and forceful he is, and what is his mood or temperament.

Finally, the practice of training un-

derstudies for every important supervisory job has assumed increased significance today. It is possible in this way to provide individual coaching for large numbers of workers qualified not only to step into their bosses' shoes but to assume supervisory responsibility in other kindred jobs if necessary. The present shortage of managerial personnel makes it essential for every supervisor to designate an understudy for his job.

In general, the traits desired in prospective understudies are much the same as those cited above for prospective supervisors. They embrace intelligence, initiative, leadership qualities, job knowledge, and reliability. BY R. O. BECKMAN. *Supervision*, April, 1943, p. 4:4.

Picture of Strikes in 1942

AN analysis of final strike figures for the year 1942, as reported by the Bureau of Labor Statistics, reveals these significant points:

1. Disputes over wages and hours predominated as a cause of strikes, approximately 70 per cent of strike idleness resulting from strikes in which such questions were important issues; while union-organizational questions, which predominated in 1941, dropped in importance as a strike cause.

2. As compared with 1941, a year of comparatively high strike activity, there was a decline of 31 per cent in number of strikes, 64 per cent in number of workers involved, and 82 per cent in strike idleness.

3. Industries in which the greatest number of man-days were lost because of strikes were mining, textile mill products, wholesale and retail trade, iron and steel, and leather products, in that order.

4. A. F. of L. unions were involved in 53 per cent of the strikes and accounted for 46 per cent of the strike idleness, while C. I. O. unions were involved in 34 per cent of the strikes and were responsible for 39 per cent of strike idleness.

5. Approximately one-third of the strikes resulted in substantial gains to the workers, about one-third were settled on a compromise basis, and about 17 per cent resulted in little or no gains for the workers.

6. Sixty-two per cent of all strikes were settled with the assistance of governmental agencies.

—*Labor Relations Reporter* 6/14/43

Trends in Vacation Policies

FEWER wage earners and salaried employees will have vacations this year, and proportionately more will receive pay allowances in lieu of time off than in 1942, according to a survey just completed by the National Industrial Conference Board.

The Board's survey embraced 150 representative companies with approximately 318,000 employees in a wide range of industries. The stage of virtual universality that the practice of granting vacations has reached in the United States is attested by the fact that not a single company was found which did not adhere to this practice.

Among 140 companies, 62, or slightly less than 42 per cent, paid vacation allowances in lieu of actual time off to some or all of their wage earners in 1942. Seventy-three, or 49.4 per cent, of these same companies now report that they will, or probably will, do so this year. Thirty-three of 150 companies, or 22 per cent, reported that they paid allowances in lieu of vacations to a part or all of their salaried employees last year. Forty-three, or 28.7 per cent, of these same companies now advise that they will, or probably will, do so this year.

Among the 62 companies which paid allowances to wage earners in lieu of time off in 1942, 23, or 37.1 per cent, report that the arrangement applied to all their wage earners. Among the 73 companies which expect to pay such allowances to wage earners this year, 30, or 41.1 per cent, report that the

practice will apply to all their wage earners. Among the 33 companies which paid allowances in lieu of vacations to their salaried employees in 1942, 10, or 30.3 per cent, report that the system applied to all their salaried employees. Among the 43 companies which expect to pay such allowance to salaried employees this year, 19, or 44.3 per cent, expect to apply it to all their salaried employees.

For both wage earners and salaried employees, the amount of pay in lieu of time off and the rate of pay during vacation actually taken are usually determined on the basis of a 40-hour week without allowance for overtime, although in the case of wage earners incentive payments are not infrequently taken into account.

Among 144 companies reporting on this phase of vacation policy, 99, or 68.7 per cent, report that determination of these payments to wage earners this year is being made on the basis of a 40-hour week, and 15 companies, or 10.4 per cent, report that incentive earnings are added. Among 148 companies reporting, 136, or 91.9 per cent, report that pay allowances in lieu of vacations, and vacation pay, for salaried employees are being computed on the basis of a 40-hour week.

More than one-fourth of the companies cooperating in this survey stated that vacation policies had been liberalized in the past two years; one-sixth reported that these changes had been made within the past year.

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Almost 50 per cent of the reasons for liberalization are the outgrowth of wartime influences. For example, a number of replies stated that new workers were being subjected to the same long hours and pressure for greater output as long-service employees, and yet, under the former policy, they were not qualified for time off with pay. In order to maintain peak production, maximum efficiency, and high morale for both new and old workers, vacation policies were revised in these cases so that new workers might share equally in vacation benefits.

Approximately 70 per cent of the replies indicate that an employee must be currently employed at the time of his vacation period in order to receive a vacation or vacation bonus. If his

employment should be terminated voluntarily before his allotted vacation period, replies show that no provision is made to compensate him for the vacation for which he may have qualified through service requirements. Only 30 per cent of the reporting companies provide such compensation.

This situation is almost reversed, however, when military service is the reason for termination of employment, for in that case more than 80 per cent of the companies offer a bonus or vacation pay prorated according to length of service since last vacation season. Such vacation allowance is often paid in addition to any military service bonus which may be granted upon termination of employment. *The Journal of Commerce*, June 14, 1943, p. 4:1.

How to Conduct an Exit Interview

WITH the "help wanted" sign now hanging constantly on the door of nearly every business, salvaging "quits" has become fully as important as recruiting new workers. Each irritated worker who is allowed to go fuming out of a plant with his final pay in his pocket not only creates a recruiting job for his late and not lamented employer but takes with him, as well, a varying amount of training representing a direct financial loss.

In the exit interview management has found a highly effective device for salvaging "quits" and determining the

causes of employee dissatisfaction. Some employers who have perfected the technique get up to 30 per cent of quits to return to their jobs.

To make the exit interview fully effective, several principles must be observed. All persons leaving the company's employ, whether they be quits, discharges or draftees, must be interviewed. Failure to interview every worker who is leaving may result in allowing some to slip by who might be retained. It may also mean that valuable information as to causes of employee dissatisfaction remains undiscovered. The simple way to make such

an interview system air-tight is to require that every payoff slip be approved by an exit interviewer.

It is essential, too, that the person conducting the interview check with the employee's foreman and the industrial relations department before talking with the departing employee. This check provides "the other side of the story," if there is one, so that the employee's story may be properly weighed.

Exit, like entrance, interviews should be carefully planned in advance, and a form prepared for the purpose should be used. A form makes it easy for the interviewer to record his findings, providing a permanent record of the case and supplying the raw material for weekly or monthly reports to higher management. Such reports disclose representative complaints and enable management to revise or reinterpret policies, to keep a constant check on foremen to see that they are competent in handling their subordinates, and generally to watch for and correct sore spots.

The questionnaire to be used by the interviewer should be designed to obtain the following information:

1. Essential data about the employee interviewed—name, address, social security number, foreman, department, clock number, years with the company, etc.
2. The reason given by the employee for leaving. This is the "stated" but not necessarily the "true" reason. The stated reason is important for use in comparison with what the interviewer finally deduces to be the true reason and for comparison with published statistics on the reasons given by employees for leaving in other plants.

3. The real reason why the employee is leaving when he is not discharged or leaving for military service. Even when the separation results from discharge or from entrance into the armed services, the employee should be fully questioned because his answers may often be as enlightening from an employee morale standpoint as those given by voluntary quits.

A good questionnaire should proceed from the very general to the specific and should include the following questions:

- a. How did you like your job with the company?
- b. Was there anything you particularly liked about it?
- c. Was there anything you especially disliked about it?
- d. Did you get proper training for your work?
- e. Were your lockers, the toilet facilities, etc., satisfactory?
- f. Was the equipment you had to work with satisfactory?
- g. Were working conditions satisfactory?
- h. Were your hours of work (your shift) satisfactory?
- i. How were the other men to work with?
- j. How did your foreman treat you?
- k. Was your rate of pay satisfactory?
- l. What do you think of the company as a place to work?

At the conclusion of the interview, the employee should be asked for constructive suggestions:

- a. Do you have any suggestions for improving shop methods?
- b. Do you have any suggestions concerning ways in which employee morale can be improved?

Where the employee is leaving voluntarily, and his answers indicate that he has had a chance "to blow off steam" and now feels better—assuming that it is desirable to rehire him—the interviewer should ask the following questions:

- a. Would you be interested in returning to work?
- b. (If yes) Under what conditions?

To be productive, exit interviews, of course, must be conducted under controlled and favorable conditions. The interviewer must be skilled in establishing a friendly, informal atmosphere and in encouraging an employee to talk at length and volunteer freely whatever is on his mind. The questionnaire need not be followed slavishly, and the interviewer should be adept at improvising to keep the employee talking without restraint. This is the only way to get at the true facts behind a decision to quit and to give

the worker an opportunity to loose his pent-up emotion.

Obviously there should not be interruptions and distractions during interviews, and it is advisable that no one except the interviewer be present. It is usually desirable that the interviewer refrain from filling in the form until the conversation is completed. When an employee thinks a record is being made, he is likely to exercise restraint in what he says. BY ROBERT N. McMURRY. *Commerce*, May, 1943, p. 23:3.

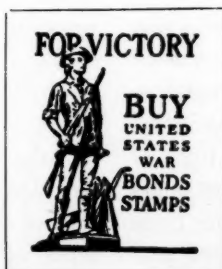
Time-Study Women Take Over

THE newest time-study men at The Reliance Electric and Engineering Co., Cleveland, aren't men at all—they're women. Put on rate-setting work simply because men are not available, the time-study women are given a regular 10-week training course in the company's Standards Department. Through intensive study and plenty of actual observation in the shop, they are acquiring not only a reading knowledge of machine operations but a first-hand familiarity with winding machines, punch presses, drills, semi-automatic lathes, gear hobbers, and coil insulating and assembly jobs.

In less than five months the first time-study girl had acquired a surprisingly high degree of facility in the new work. Today, after 10 months on the job, she is regarded as a top-notch time-study worker on hand and machine operations.

Three more girls at Reliance, members of a class of six now undergoing this training, are already making simple time studies and will soon be qualified to take up more complex time-study work.

—Supervision 5/23



Production Management

The Simpler Things to Come

WE are now in the process of raising a new labor army of roughly 5,500,000 men. Half a million of them are skilled workers—mechanics, toolmakers, welders, and other artisans whose skills are precious to war production. As yet unheralded, this immense industrial army is being made possible under the dual banner of Simplification and Standardization—goals as desirable in peacetime as they are essential in wartime.

Simplification and standardization stand for war against waste motion, useless effort, and unnecessary, repetitive decisions. Here are the facts:

As a result of some 85 or more "L" and "M" orders involving simplification issued by the War Production Board in 1942, 10 per cent of the manpower in the industries involved was released from unessential activity to war production. Similarly, 1 per cent of the skilled labor was freed for more essential tasks by inauguration of simplification programs.

Eighty-five completed WPB orders represent only a small fraction of the possibilities for simplification still remaining in America's war production machine. It would be within reason to expect 10 times as many simplification orders and schedules to be issued in 1943, covering all major lines of industry and certainly the great mass of the laboring population. Since there will be approximately 53,000,000 peo-

ple at work in the United States in 1943, we can assume that 10 per cent of them, or roughly 5,500,000 workers, including half a million skilled workers, will be released—or raised as a work army, if you will—for the most essential war production.

The simplification program to be carried out in 1943 will also save thousands of carloads of valuable transportation space, millions of square feet of factory warehouse space, will add to our stockpiles of raw materials by reducing inventory requirements some 25 per cent, and will augment the productive capacity of our machines by 10 to 20 per cent.

These are not fantastic figures. The first 75 simplification orders in 1942 saved 600,000 tons of steel, 17,000 tons of copper, 227,000 tons of wood pulp, 35,000 pounds of solder, 180,000,000 yards of cotton, wool and rayon cloth, and 450,000,000 board feet of lumber.

How were these savings achieved? By attention to details, by cutting out unnecessary sizes, types and models of a wide variety of industrial and consumer products. For example, by reducing the types of men's working clothes—overalls and coveralls—to six, by eliminating unnecessary pockets and reinforcements, enough cloth was saved to make 7,000,000 additional garments. By eliminating "bobby pins," 4,000 tons of steel were saved. By reducing types of bicycles manufactured from

20 to two per manufacturer, large quantities of steel, rubber, copper, chromium, tin and cadmium were conserved for more important war uses. By reducing types of electric power trucks from 221 to 50, and listing standard models which manufacturers were permitted to produce, a 25 per cent increase in the productive capacity of the industry was obtained.

On June 4, 1942, there were approximately 150 simplified practice recommendations in effect, covering both industrial products and consumers' goods. These recommendations had, for example, reduced the number of ice cream cartons and molds by 97 per cent, the number of varieties of blankets by 86 per cent, the varieties of pipe fittings by 65 per cent.

To do an intelligent simplification job, it is often necessary or at the least advisable to standardize dimensions of the lines of products to be simplified. This practice injects another positive advantage into the simplification program: interchangeability of parts.

The War Production Board is seriously concerned lest lack of standard interchangeable parts for American fighting equipment bog down an American campaign. One important step in this direction is the present program for simplifying and standardizing the components of gasoline engines, one of the key pieces of equipment in a mechanized army. At present there are over 1,000,000 small gasoline engines on order by various government agencies. Over 150 manufacturers are producing as many as 25 types of 40 basic engine models. Without some stand-

ardization program, the chances for hopeless confusion and delay in repair are considerable. Standardization and simplification will avert this danger to war-front, battle-time efficiency.

Standardization also plays a part on the home front. To assure quality standards for fair-pricing purposes, the Office of Price Administration has established a Standards Division which will relate quality to price, thus protecting the interests of consumers. The Office of Civilian Supply also maintains a standards division, with responsibility to the consumer.

In simplification and standardization the manufacturer finds the advantages of longer factory runs with fewer changeovers; fewer idle man-hours; less capital bound up in slow-moving stocks; less stock to handle; simplified inspection requirements; larger production units; less special machinery; less obsolescence; and less chance of error in shipment and delivery.

Vendors at wholesale and retail can look to the expanding simplification program to give them increased turnover, staple lines which are easy to buy and sell, and greater concentration of sales effort on fewer items. They will have to invest less money in new stocks and repair parts; they will be able to get along more serviceably with smaller inventories, an increasing requirement under war conditions.

The use of effective standards, incidentally, is one of the most reliable escape valves that an executive can have to cut down the pressure under

which he lives. Standards reduce the number of conferences it is necessary to hold—conferences concerning misfires, controversies in plant operation, and controversies with customers. By reducing things to simple routine—that

is, to standard practice—executives are released from the need for making minor decisions. Indeed, standardization is a bright key to sound industrial administration. BY HOWARD COONLEY. *Dun's Review*, February, 1943, p. 7:7.

How Chrysler Cuts Tool Costs

WITH human nature what it is, it is axiomatic that care for an object increases almost geometrically with the degree of appreciation of its value. This is true of anything . . . wives or tools.

High costs from tool breakage are a headache to many manufacturers. Not only is the expense involved substantial, but the consequent loss of time and effort cuts into vital war production. Yet coexistent with these conditions is an abundance of evidence indicating that the average war worker has no idea of the dollar-and-cents value of the cutting tools he uses.

This conclusion is the result of interviews with about 100 machine operators in three different plants. They underestimated the dollar value of exhibited cutting tools an average of 70 per cent. Many estimates were only one-fifth or less of actual value. Viewing a spiral taper reamer, one worker said he believed it could be bought in a dime-quarter store. Its actual cost was \$15. Such ignorance is startling. That it can seriously hinder vital war production is obvious.

Greater appreciation of the dollar value of machine tools and the cutting

tools used in them is an urgent necessity. It is a matter of industrial education—and few companies, incidentally, are doing a better job at it than Chrysler Corp.

Chrysler constantly focuses attention on tool values and conservation in bulletins, through foremanship meetings, and by exhibits that show the dollar value of tools. For instance, a traveling display board on a truck is being used with fine effect throughout the main apprenticeship department. Damaged cutting tools are mounted on this board, and their dollar cost is shown. This display covers such items as:

	Cost
Special spiral milling cutter.....	\$220
Tool bit	28
Stagger tooth milling cutter.....	90
Straight tooth reamer.....	25
Taper shank reamer.....	15
Tool bit	14
Special drill bit.....	255

Total cost of cutting tools displayed is \$1,107. No one seeing that exhibit could help but gain a vivid dollar-value appreciation of those tools. That explains, perhaps, why tool costs among novices in Chrysler Corp.'s apprenticeship department are low.

Some war production parts being

built by Chrysler are several times larger than those formerly made. Tools are correspondingly larger and more expensive. Some boring tools, for example, run about twice the size used in automobile production. In bomber assembly there are thousands of small fittings, electric switches, specialties and sub-assemblies which must be carefully conserved. This also applies to such small tools as drills, reamers, cutters and hand tools.

Closer limits, high surface finish requirements, unusual design of parts, and an increase in profiling operations have made tool requirements vault skyward. The proportion of special tools is also far greater. And procurement from vendors poses a serious problem, for delivery that formerly took two weeks now sometimes requires as long as six months.

On top of these factors, the price of perishable tools has increased markedly. For example, a certain special tool that cost \$480 a year ago today costs more than \$3,000. Tool cost per piece on comparable automobile and ordnance parts, in an average example, is 25 cents and \$18.80 respectively. *Obviously that increase is significant, and every supervisor and worker should know of it and appreciate what it means in his work.* Tougher materials and special tools are partial causes.

In training his men, each supervisor should keep them informed regarding the costs of the tools they use, the difficulty and time lost in getting tool replacements, how a broken tool might hold up several days' production, the importance of not using dull tools. *The*

supervisor should demonstrate vividly how momentary carelessness or negligence that causes tool or machine breakage produces the same results as deliberate sabotage. It might be remarked at this point that a system of periodic tool inspection and sharpening has not been so widely adopted by industry as it should be.

Chrysler has issued a booklet on "Perishable Tools in War Production" which has become the training manual of the company's educational supervisory staff. Chrysler Corp.'s 3,000 foremen have been so thoroughly coached in caring for tools that the company has chalked up an enviable record in conservation of perishable tools.

Duties of supervisors have been broken down into 16 specifics, and careful check is made to assure that not a single one is overlooked, ignored or fumbled. These 16 specific directions are:

- Be sure the right tool is being used on the job.
- Have all tools regularly inspected.
- Check proper feeds and speeds.
- On new setup, put machines through their cycles before engaging in actual production.
- Have cutting tools properly sharpened at regular intervals.
- Return all tools to crib when they are not in use.
- Avoid rough handling of tools; avoid injuring cutting edges.
- Report immediately any unsatisfactory tool performance.
- Remember how difficult it is to obtain tool replacements.
- Suggest improvements in design.
- Make careful disposition of all tools scrapped to assure greatest salvage value.
- Constantly check and instruct operators on proper lubrication of tools and on use of proper coolants.

—Thoroughly investigate causes of excessive tool breakage.

—Carefully instruct operators concerning the proper use of gages.

—Do not withdraw from crib any more tools than are actually needed.

—Memorize and practice the four steps in training of preparation, presentation, application and testing.

To create appreciation of tool value, collect a representative group of damaged tools together, perhaps at the tool crib or some similar point in each productive department. Show the tools' names and numbers. Then supply guessing blanks to each machine operator, with spaces to record his employment number and his guess of the dollar value of each particular tool by number. Prizes of war bonds or stamps might be offered. The appeal of a guessing contest is irresistible. It will create discussion among workers, who, because of the dramatic interest aroused, will pay more attention to

actual values when they are eventually announced.

The results should be carefully analyzed, for they can be effectively used in many ways. They will indicate to supervisors which operators need education, and will enable management to ascertain whether high tool costs are the result of ignorance. If a worker's guess is ridiculously low and he has an excessively high breakage record, the connection will be obvious.

The data can be averaged departmentally to provide a rivalry index through which departments may improve their knowledge on care and use of tools. It can provide a measure of the amount of training which each department requires on this vital subject. Finally, it can furnish effective ammunition for foremanship training meetings. BY G. ELDRIDGE STEDMAN. *Steel*, May 24, 1943, p. 78:4.

Magnifying Inspection Device Aids Output

AN inspection device containing a light bulb, two mirrors, and four glass magnifying lenses has helped the Mansfield plant of Westinghouse Electric & Manufacturing Co. to step up production of a vital airplane part 20 per cent and cut its cost 10 per cent. The instrument, known as a comparator, is used to examine acorn-sized commutators for dynamotors which supply electric power for aircraft radio equipment.

An image of a commutator's surface is reflected on a glass screen after being magnified 22 times its normal size. Women inspectors see that paper-thin strips of copper and mica are in perfect alignment by comparing the image with vertical lines on the glass screen. A slanted strip could create static which would interfere with radio reception in a war plane.

Inspectors complained of headaches and eyestrain as long as they used only their unaided eyes to examine the copper and mica strips, ranging in thickness from 0.018 to 0.050 inch. Powerful magnifying glasses provided some relief. With the use of the comparator, however, inspectors reported eyestrain and headaches disappeared. As a result, production records show an increase and the number of rejected dynamotors has been cut from about 30 per cent to less than 3 per cent.

—*Factory Management and Maintenance* 3/43

A Check List for Manpower Utilization

THE most effective manpower utilization is achieved through sound management practices. Good management requires that the organization structure, the planning, the control, the layout, the methods, and the procedures be directed toward personnel economy. It requires that industry take cognizance of military necessity by tapping the labor sources least needed by the armed forces. It means careful placement, full use of scarce skills, and use of scarce skills only where they are absolutely essential. Good management means continuous training in manual, mechanical and managerial skills. It involves greater recognition of the role of psychology in dealing with human relations problems. Generally, then, manpower utilization will be achieved in direct ratio to the effective use of modern tools of management.

While the appended check list is by no means complete, it may be expanded or rearranged to fit individual companies' needs. Favorable indications are listed beneath each question.

1. *Are you organized for efficient management?*

- Clearly defined organization structure; well-described duties and responsibilities
- Sound budget planning and cost control
- Positive scheduling and production control
- Influential personnel management
- Adequate quality standards and control
- Active methods improvement

2. *Are you engineering for economy?*

- Extensive use of labor-saving and materials-handling devices

- Straight-line flow of work
- Simplified procedures and methods
- Proper heat, light, ventilation and facilities

3. *Are you hiring for stability?*

- High percentage of women
- Men who are ineligible for the draft
- Physically handicapped workers

4. *Are you placing for skill utilization?*

- Employee-skill inventory kept current
- Practical tests and performance ratings
- Continuous upgrading

5. *Are you economizing in high skills?*

- Diluting skills (job breakdown)
- Working employees fully at highest skills
- Absence of hoarding of skills

6. *Are you training for increased productivity?*

- Constructive orientation of newcomers
- Clear lines of promotion
- Understudies for key jobs
- Executive training
- Supervisory development programs
- Skill training
- Personal performance reviews

7. *Are you paying to get maximum output?*

- Continuous job evaluation
- Financial incentives

8. *Are you assisting to maintain good attendance?*

- Employees given help on housing, transportation, child care, and other community services
- Safety and health education
- Recreational programs

9. *Are you analyzing for reduced turnover?*

- Counseling activities
- Exit interviews

10. *Are you encouraging sustained individual effort?*

- Labor-management committees
- Grievance machinery
- Suggestion system
- Non-financial incentives
- Capable supervisory leadership

By W. H. KUSHNICK. *Mechanical Engineering*, June, 1943, p. 410:3.

Marketing Management

Tomorrow's Sales Manager

WHEN this war is over, new conditions are going to develop a new type of sales manager. He will have a bigger job than ever before, with bigger responsibilities both inside and outside his own company. And when he emerges from his present chrysalis an entirely different kind of manager, he will need another title to indicate the new scope of his authority and responsibility. That title very well might be National or International Marketing Manager.

But before examining this new marketing manager, let's inspect the new world in which he is likely to live and to operate after the war.

Some of the changes which the world now talks about so enthusiastically will take place; others will not. A few of the probable changes include the use of commuter jalopy planes which John Doe will navigate into his back-yard hangar; prefabricated housing; new uses for light metals, such as aluminum and magnesium; more extensive use of plastics; synthetic rubber products; and high-octane gas to be used with motor cars of changed design. Already we have static-less FM radio, television, new textiles made from rayon and nylon, and a great many other advances which newspapers and technical magazines now describe. As these inventions emerge from the chemical laboratories and from the drawing boards of American industry

as finished products, they will have to be *sold* to the American people.

Aside from technological changes resulting in new products, there are other changes—economic, political and social—which are of infinitely greater importance to marketing executives. Some of these are considered below:

1. We shall come out of this war with a national debt of \$200-\$250 billion. Even at today's low interest rates, the debt service on that enormous national debt will run to \$3 billion or more per year.

2. In order to get an income large enough to support this huge debt service charge, we shall be compelled to double our national output. This may seem like putting the cart before the horse, but the cause and effect relationships amount to just that. The gross national output will increase from a low of about \$60 billion at the bottom of the depression period, to \$120-\$150 billion after the war. This increased national output, in turn, means that we shall have a greatly increased per capita income, and the pre-depression standard of living not only will be restored but will be raised.

3. When the war is over, consumers are likely to have available an annual surplus of expendable funds of from \$10 billion to \$30 billion. About 50 per cent of the potential customers who will hold this money will be labor-

ing men, or the families of laboring men.

4. Don't expect labor power to vanish with the war's end. Unions will not be abolished, nor will they be overthrown. They will continue as important groups to be considered legislatively, and as consumers—in fact, in every respect where group action has an influence on marketing problems and policies. Business leaders and tomorrow's marketing managers must learn how to get along with unions, not how to abolish them. On the other hand, unions will, in time, improve their methods; their policies and operations will mature; and they will become more helpful to management and to the country at large.

5. Government regulation of, and interference with, business will not cease on the day peace is declared. The nature of regulation may be modified, but we shall continue to be subjected to some regulation and some interference. Thus our marketing manager of tomorrow will have to be enough of a business statesman to work *with* the government, and with the agencies that control marketing, such as the FTC, the SEC, etc. He will also need to have a place on every policy-making committee or group in his company.

6. After the war, the United States will possess the greatest productive capacity in the world. We had it to start with, and we have developed it, doubled, tripled and quadrupled it—and we haven't been bombed out of it, as has been the case in other countries.

7. We also shall have the greatest reservoir of skilled and trained labor

in the world. We shall have the most highly efficient processing methods in the world—methods which we shall wish to utilize to reduce the cost of goods, to improve the American standard of living, and, if possible, to entrench ourselves in foreign markets.

8. We shall have the greatest Navy in the world, the greatest Air Force, and most of the gold. We shall be able to travel anywhere, to ship anywhere, and to collect bills anywhere. We shall be able to do pretty much whatever we wish if we have the foresight, vision and energy to do it.

This is the kind of world in which the new national and international marketing manager will operate. He must be a big man—for he will have a big and an interesting job.

This new type of manager will be a man who thinks in terms of *global* markets. He will understand the interrelationships of world transportation, world trade, world labor policies, and world politics. And he will mold his plans accordingly.

This new marketing manager will employ the most advanced techniques in his market determinations and his market-potential studies.

He will train his men systematically; he will exercise scientific supervision over men in the field.

He will be an expert in reducing the cost of distribution. If the cost of distribution is not reduced by marketing men, the government may take over that job. If the government doesn't do it, it is possible that such giant co-operatives as are found in Sweden may

engage in some of the operations now controlled by private business.

These are the challenges to sales management, and they cannot be met effectively with yesterday's sales managers or yesterday's selling methods.

We must raise our sights, glimpse the new horizon, the new opportunities, and the new responsibilities which tomorrow will bring. BY BURTON BIGELOW. *Sales Management*, March 15, 1943, p. 18:3.

The War Slant

WHAT line are advertising copy writers following these days? Do they avoid the war angle and look ahead to the halcyon days of peace, or do they go all-out for fighting stuff?

According to a survey of the advertising pages in 17 leading magazines, made by the staff of Daniel Starch, Inc., *nearly half* the ads had a definite war slant. Of these, 17.5 per cent featured war products; 15.2 per cent, the advertisers' usual products but with a definite war application; while 13.6 per cent stressed conservation. Four per cent of the advertisements were of the inspirational type or provided glimpses of the world of the future—General Electric's recent series on electronics, for example. There is still a good deal of "business as usual"—52.7 per cent of the ads were classified as straight product advertising.

The researchers went on to determine what types of ads are most widely read by men and by women. Scoring was done under two headings—Visibility and Readership. If a magazine reader remembered seeing the ad, it rated a mark under Visibility; if he had read nearly all of it, it received credit under Readership.

The female of the species, it turned out, isn't very interested in war products advertising or in conservation, but she's very keen on inspirational copy or copy dealing with products that will be available when the war is won. War product ads were the low-water mark of her interest, 117 points (200 taken as the base, the actual figure achieved by "straight product" advertising among both men and women). Conservation rated 146; product ads with a war slant, 159; while future or inspirational copy scored 280.

For men, the story was a different one. The male goes for war products advertising in a big way—310 was the score. Future or inspirational copy came next—252; at the bottom came conservation—216.

All in all, it seems as if magazine readers want either to hear about war or to dream about peace.

—*Canadian Business* 6/43

One-Man Meetings

NEARLY 70,000 travel-miles will be saved as the result of calling off their sales representatives' convention, Paraffine Companies, Inc., reports. Instead, each salesman receives a packaged one-man sales meeting which he'll hold with himself in his own home. It's a portfolio containing a two-day program explaining the company's war activities, its manufacturing, selling, merchandising, and advertising plans for 1943 lines of linoleum, paint and roofing materials. To insure thorough readership, a quiz sheet is enclosed and a prize offered for the best answers. Then the salesman will hold meetings with jobbers in his district and pass along the company's program.

—*Modern Industry*, 4/15/43

Outline for Postwar Planning

BACK of all the noise and clamor, the patriotic blaring of trumpets, and the polysyllables of the economists, there is a single sound principle of postwar planning which deserves greater emphasis than it is likely to get: "Put your house in order *now*." Six plain Anglo-Saxon words, but what a wallop they pack!

No stronger adjuration can be addressed to the business man who is burning the midnight kilowatt trying to figure out what to do to meet whatever is coming tomorrow. For, no matter what the situation may be after the bells ring and the whistles shriek to signal the end of hostilities, the manufacturer who is in control of his operations now, who has found the cracks in his armor and repaired them, who has exploited his products to the utmost advantage, and who has assiduously cultivated a circle of substantial friends through honest, intelligent service, will stand a much better chance of continuing to live a wholesome, profitable business life through the next cycle than his neighbor who is struggling to exist under a welter of chaotic, hand-to-mouth decisions.

Manifestly, no single synopsis of the problem will fit every business. But a generalized outline can be prepared to indicate how a typical manufacturer can plan an investigation of his own problem. Here are some thoughts which may be used to generate other thoughts along more specific lines:

First, appoint someone in the organ-

ization who has imagination and breadth of vision to act as a coordinator. Give him authority to ask for and to get help from every executive in the organization.

Second, let that coordinator (preferably with the assistance of a small committee) prepare some such outline of investigation as is indicated below.

Third, keep the coordinator everlastingly on the job of getting intelligent answers to the questions posed, from the people who should know them.

Fourth, assemble the answers into a report which embodies definite, workable recommendations for the correction of present conditions as well as for putting into effect new ideas both for today and tomorrow.

Fifth, insist that the coordinator keep his feet firmly on the ground, even if his head be in the clouds; and that his report be couched in language understandable to everyone, describing ideas which are infused with common sense. In other words, let his imagination be controlled by practicality.

Sixth, do something now about those recommendations! Otherwise the whole effort will come to naught. Get going; that's the main thing. You will find, if the investigation job has been well done, so many things to do that "postwar" will be "pastwar" before you are fairly in the midst of them. You doubt it? Then consider a few suggestions for customer studies

to be undertaken by various departments of the business:

By the Sales Department:

A. Study your marketing areas and the concentrations of buying power, both geographically and industry-wise, giving particular attention to probable shifts, either temporary or permanent, brought about by war conditions.

B. Study the reasons why important accounts are not being sold now, or why participation in their requirements is low, and what can be done to overcome these conditions.

C. Make tentative estimates of postwar requirements of customers and important non-customers, as affected by adjustments in industry markets.

D. Study the potential requirements of new accounts coming into your natural competitive territories.

E. Study ways and means of replacing accounts leaving your natural competitive territory, or going out of business.

F. Are you in touch with the potential needs of your present customers, and do you know what they may be planning for the future which will affect your sales to them?

By the Accounting Department:

G. Analyze present accounts from the profit-and-loss standpoint.

H. On accounts involving losses or low profits, determine the reasons therefor.

By the Credit Department:

I. Review the present financial stability of important customers and keep the sales department informed as to their potential values for future business.

J. Study especially the performance of such customers as government contractors or subcontractors, and advise them with respect to V-loan opportunities.

Similar studies might be made of products (by the engineering, sales and accounting departments); of competition (by the engineering and sales departments); of plant (by the engineering and accounting departments); and of general management (by the president, general manager, etc.). Based upon some such ideas as these, a scheme of investigational effort should be started by the coordinator, and "expedited" by him through continuous but diplomatic prodding. As each section is completed, the original reports should be gathered into a single volume as source material for the final report of the coordinator. This final report should summarize as briefly as possible the source material, interpret it in the light of future possibilities, and conclude with a set of specific recommendations for action.

From the sales executive's viewpoint, the interpretation should certainly contain:

1. Tentative estimates of the quantitative (volume) and qualitative (profit) values of future markets for the products considered.

2. An analysis of any adverse factor in the present scheme of distribution, with recommendations for improved methods.

3. An evaluation of such shifts in industrial demand, or changes in technological methods, as may influence the demand for your products in the near future.

4. An evaluation of possible postwar economic and social trends that will tend to cause changes in such demand.

5. An estimate of the postwar readjustment of war-converted plants to the manufacture of former or new products, in relation to the demand for your products.

6. A statement of the importance of continuing technical and product research within your own organization.

7. A recommendation for establishing a cooperative means of spotting such adverse factors as overproduction or inventory accumulation in the industries forming your markets.

The final report should be made to the principal executive officers of the organization for consideration and action. It would be a serious mistake, however, to consider that the work of

investigation had thereby been brought to an end. The coordinator should at this point be given authority to carry on a continuing series of analyses along any of the lines which appear to offer fruitful possibilities. BY FRANCIS JURASCHECK. *Industrial Marketing*, April, 1943, p. 19:3.

Share the Sales

A PATTERN for many industries may have been devised by the War Production Board when it worked out a plan for sharing sales and profits in the concentrated alarm clock industry. The scheme is ingenious but simple.

Out of six firms which manufactured alarm clocks in the period 1936-1941, probably only two will produce alarm clocks this year, but all six will participate in the distribution. The clocks will bear no trademark, but the makers will show their names and addresses in small print for repair purposes. Each of the six companies will receive a supply proportionate to its base-period production and will distribute the clocks through customary outlets.

Just how much money can be made by the producing manufacturers, non-producing manufacturers, wholesalers and retailers will be determined by the OPA in a regulation setting dollars-and-cents ceilings at every level.

—*Sales Management* 5/1/43

Role of Small Business in War Production

A REPRESENTATIVE sample survey of the nation's small manufacturing concerns by the Office of War Information indicates that 58 per cent are engaged directly or indirectly in war production. Of the remaining 42 per cent, about one-quarter have been unable to get war production contracts and about three-quarters have not tried to get war contracts because their products were not required for war, because they had enough civilian business, or for other reasons.

Only concerns employing no more than 125 wage earners were included in the survey; actually, less than 5 per cent of the firms studied employed more than 80 workers.

One-third of the plants felt that they could increase production generally with existing equipment and under present conditions in the market for labor and materials. An additional one-half said they could do so with existing equipment if given enough labor and materials.

Only part of the available idle capacity, however, is suitable for war production. Analysis of the survey data shows that 21 per cent of the plants could increase war production under present conditions; an additional 36 per cent could do so with new machinery and more materials and labor; 43 per cent were adjudged unable to increase war production under any circumstances.

Half the small manufacturers expect their business to be as good as or better than in 1942, and two-thirds expressed satisfaction with their present backlog of orders.

—*Victory Bulletin* 5/26/43

Packaging

Don't Throw That Container Away

THE greatest savings in packaging supplies are achieved through reuse of containers—either reuse of the original box or use of the component parts of a box in making other boxes.

If boxes are to be reused, a storage area for empty boxes is necessary. Such an area must be arranged with all the forethought that would be exercised in planning a warehouse for spare-parts storage. Boxes must be sorted by size and stacked in such a way that they can be found and removed as needed.

If possible, boxes should be stored indoors. It should not be too difficult to find storage space indoors for a well-managed stockpile of used boxes, because efficient management will prevent their accumulation in large quantities.

Another possibility for reuse lies in the return of boxes to the original shipper. Over short distances this is relatively easy, but where the distance is great, shipping facilities for empty boxes are difficult to obtain. To conserve space in returning boxes of various sizes, boxes of successively smaller sizes should be nested one inside the other, and the top pieces packed wherever convenient.

When boxes are reused with the original tops, nails of a size one or two pennies larger than the original nails, driven into the old nail holes, will have satisfactory holding power.

Where the boxes are to be taken apart and the component boards used again, the simplest procedure is to cut the sides, top and bottom just inside the ends. Entirely sound boards only slightly shorter than the originals may thus be obtained. Much of the lumber in the ends of some styles of boxes can likewise be salvaged by cutting inside the cleats.

If sufficient labor is available, crates and boxes of all kinds may be torn down, the nails removed, and the boards stored for reuse. Lumber should be sorted by sizes and stacked. If boxes of one size are required in large numbers, salvaged material should be immediately cut to the correct length from the shortest possible pieces and stored in convenient places for use.

Lumber is not the only material that should be considered in a conservation program. Wrapping paper, greaseproof paper, and bags should all be inspected upon removal from a container to determine reuse possibilities. Many such items, if too badly damaged for their primary function, may be utilized as a padding or shock-absorbing medium. Vaporproof barriers sometimes lend themselves to reuse, as they are generally designed for opening and resealing six times.

Achievement of maximum conservation of packaging materials involves proper design and good construction

practices at the outset, and reuse of the material as far as possible later. Both underpackaging and overpackaging result in waste of materials. In the first case, a completely new container will be required somewhere along the line, or perhaps the contents will be damaged. Overpacking, on the other hand, uses more wood, nails and reinforcing bands than are actually needed.

Constructing boxes and crates of green or wet lumber increases container failures and tends to result in wasteful repackaging. The critical lumber-supply situation, however, often necessitates the use of wet lumber, which on drying and shrinking holds nails less securely and causes straps to be-

come loose. Thus many depots must recover and restrap boxes and crates before sending shipments forward to other points. Where reasonably dry lumber can be obtained, its use will lessen container failures and reduce waste. In a salvage and reuse program, one encouraging factor is that used lumber is apt to be drier than when it was originally joined together, and therefore can be made into better boxes and crates.

When it is known that a box will require opening and reclosing before reaching its ultimate destination, the top should be either hinged or held in place by screws.

BY HERBERT B. MCKEAN. *Shipping Management*, June, 1943, p. 9:3.

"Surftested" Weatherproof Containers

THE term "Weatherproof Containers" was originally applied to solid fiber can cases which would withstand total immersion in water for 2½ hours. Boxes made of this material were specified and used by the government on lend-lease shipments to England with highly satisfactory results.

Later it was found that these boxes were not substantial enough to travel all the way to Russia, around the Cape of Good Hope, and through the Red Sea and Persian Gulf, because by the time they arrived at their destination they had withstood at least 13 very severe handlings or transfers; nor were the containers durable enough to be thrown overboard from a landing barge in the Solomon Islands. Accordingly the government specified that the containers must withstand up to 24-hour immersion. In a remarkably short period of time, technicians of the Robert Gair Company succeeded in meeting this requirement, but government officials went a step further and requested a demonstration, indicating that they would like to see the boxes packed with actual canned goods and immersed in the surf for 24 hours. Permission was obtained from the Coast Guard to conduct this test on a Rhode Island beach. A number of loaded boxes were tied together with a long rope, and at intervals a 50-pound scale weight was added to act as a sinker. One warm day last fall, all this material was carried out about 20 feet into the surf and dropped into the water. During the ensuing 24 hours, the containers were inspected hourly.

The boxes were all in excellent condition at the end of this unbelievably severe 24-hour test. Naturally, the edges were badly rubbed and the metal straps had a mirror-like polish, but the cans were all in place and, in fact, it was found possible to drop the loaded boxes 50 times from a 30-inch height to solid concrete before the containers eventually split open.

—J. D. MALCOLMSON in *Packing and Shipping* 5/43

Financial Management

Current Inventory Problems

ONE of the major problems which confront financial executives today is the maintenance of records for purposes of proper inventory control and for reporting inventories under WPB and OPA regulations.

It is accepted practice in many companies to keep perpetual records covering the various commodities and materials in stock, but too frequently these records are not fully utilized. It has been claimed by some that a properly maintained perpetual inventory system makes an annual inventory unnecessary. Nevertheless, most companies continue to take an annual physical inventory. A survey made several years ago indicated that, of 200 companies which reported the use of a perpetual inventory system, only approximately 25 per cent had dispensed with the annual inventory. If we weighed the defects of the systems of the remaining 75 per cent, we should probably find a lack of test checks at stated intervals or at the point of reordering.

Opinion is also divided as to what information should appear on the inventory records. Should they show quantities only, or should the price and extended value also appear? Also, should the quantities and values purchased and disbursed be shown cumulatively after each posting, or is this practice an unnecessary duplication? These are all questions which may be discussed to advantage.

The next problem concerns the taking of physical inventories, where this practice prevails, and the amount of preparation required.

Frequently in the past, entire plants were closed down for extended periods in order to put the inventory in such shape that it could be readily counted and checked. However, it is unlikely that this practice will be followed while the present extreme need for production exists. The current high rate of activity will also aggravate the problems of inventory-taking, and adequate preparation will be most helpful. In other words, all the individuals concerned should be told *when* the inventory is to be taken, *what* is to be inventoried, and *in what units* it is to be recorded. Incidentally, companies working on the "swing shift" will find this problem perplexing unless they are prepared well in advance.

One of the newer problems involves the verification of inventories by outside auditors. Since the McKesson-Robbins case, public accountants are anxious—and, in some cases, insistent—that their own representative be present when the inventory is taken. With the present manpower shortage in the public accounting field, they may find it necessary to depend on company certifications in many cases, especially if the closings are on a calendar-year basis.

Another newer problem derives from the fact that inventories are dispersed to a greater degree than heretofore. Materials may be in the hands of subcontractors for subsequent processing, which makes the verification rather difficult. Then, too, the subcontractor must guard against including these materials in his own inventory.

Probably one of the best ways to lighten the burden created by the annual inventory is to stagger this job by departments, taking separate departments at the end of each month or at the end of each week. Subsequent transactions after the taking of each department's inventory can be reviewed carefully, and the proper additions or subtractions made from such inventory to bring it up to the closing period.

We now come to a third major problem, which is without doubt the most important: *Under what method, and at what value, shall the inventory be stated?*

Many new problems have arisen as a result of the war and of the tax burden which confronts industry. What of those inventories which represent part of industry's peacetime activities, and which are rapidly becoming obsolete as a result of the development of substitutes?

Some companies may take advantage of the tax regulations on that point:

Any goods in an inventory which are unsalable at normal prices or unusable in the normal way because of damage, imperfections, shop wear, changes of style, odd or broken lots, or other similar causes, should be valued at bona fide selling prices less direct cost of disposition, whether the inventory method used

is cost or cost or market, whichever lower, or if such goods consist of raw materials or partly finished goods held for use or consumption, they shall be valued upon a reasonable basis, taking into consideration the usability and the condition of the goods, but in no case shall such value be less than the scrap value.

In some cases, inventory reserves will be resorted to in order that proper cognizance of this situation be reflected on the books. However, as in the case of most reserves, it is difficult to determine the proper method to use. Some companies evaluate their inventories conservatively, while others lean towards liberal, almost inflated, valuations.

We now come to the question of pricing. Volumes have been written about the phrase, "cost or market, whichever is lower." There are unlikely to be many instances in which the present market is lower than cost, unless it be in the case of commodities for which price reductions were required by OPA ceilings. Considerable controversy reigns over the question of "What is cost?" The cost of raw materials is diversely interpreted. In a rather recent survey on this subject, it was found that, of the companies reporting, 91 per cent included freight and cartage. However, going further, we find that 13 per cent included receiving and storing expense; almost 4 per cent included purchasing department expense; 2 per cent, unloading expense; 1 per cent, interest on borrowed capital; 1 per cent, allowance for shrinkage; $\frac{1}{2}$ per cent, container cost; and $\frac{1}{2}$ per cent, sampling and laboratory expense. When it came to charging these raw materials

into process, it was found that 45 per cent were using the average-cost basis; 27 per cent, the first-in, first-out basis; 20 per cent, the standard-cost basis; 4 per cent, the actual-cost basis; $2\frac{1}{2}$ per cent, the last-in, first-out basis; and $\frac{1}{2}$ per cent, the highest cost first.

In the inventory valuation of raw materials on the balance sheet, 87 per cent of these companies used "cost or market, whichever is lower"; the remaining 13 per cent used standard cost, or actual cost, basic or normal value, average cost, and the like.

The methods used in valuation of the finished goods inventory followed the same general pattern as in the case of raw materials.

The important question to decide in the face of the present high tax rates is, "How can we keep unrealized

profits in inventory from being taxed?" It should be mentioned here that the last-in, first-out method of valuation is being accorded increased attention today, even by those concerns that felt this method was unsuitable several years ago. It is also interesting to observe that this method has been given favorable treatment under the new tax law, which removes some of the former barriers. The prohibition against using this method for income tax purposes where interim reports were prepared on a different basis has been lifted. Favorable treatment of the involuntary liquidation of base-stock inventory under the LIFO method is also found in the 1942 Revenue Act. BY W. J. JACQUETTE. *The Controller*, February, 1943, p. 55:3.

Offers Employees Bond-Buying Incentive

A "CITATION PLAN" for increasing War Bond sales among employees, used effectively by the Electric Auto-Lite Company, Toledo, in its 22 plants during the last several months, is now being offered free to firms using the payroll deduction method.

According to the plan, workers are asked to pledge for a full year weekly bond deductions ranging from \$5 to \$18.75. "The plan translates the actual dollars put into War Bonds by employees to the purchase of items of war equipment the money could buy in a year's time," Auto-Lite explains.

For instance, employees are told that a weekly \$5 deduction for one year buys five Garand rifles; a sub-machine gun represents \$6 a week for one year; \$7.50 buys two depth bombs; \$10, a Browning machine gun; and \$18.75 a week is equivalent to a jeep.

The employee pledging purchases of items of war equipment receives a citation bearing his name and the signature of Auto-Lite's president. The certificates are graded according to the size of the War Bond pledge, and illustrated on them are the various types of fighting equipment the employees' dollars can buy.

Many employees whose deductions were less than \$5 weekly have increased their pledges; large numbers of employees increased their pledges in order to earn the next highest certificate; workers are provided with a visible evidence of their bond purchases in a form permitting display in home or office; the idea that War Bond pledges must continue unbroken for 52 weeks has also been popularized.

Auto-Lite states that inquiries about its plan will be answered with an instruction sheet covering complete details on how the plan works, plus samples of all five citation certificates used.

—*Printers' Ink* 7/2/43

Insurance

New Problems of U. & O. Coverage

RECENT reports indicate that considerable use and occupancy insurance is being placed with the so-called "priorities clause," which excludes aggravation of loss caused by any government orders or action impeding rebuilding, repairing or the securing of labor or materials. This clause became effective in most jurisdictions late in March, with the alternative of a 100 per cent rate increase. In a number of cases, policyholders will carry both this insurance and business interruption coverage written previously without the exclusion; and adjusters are currently speculating on how to adjust a loss involving coverage with and without the exclusion where the shutdown has been aggravated by government order.

There is a sharp difference of opinion in informal discussions, some adjusters maintaining that there will be no difficulty and others insisting that complicated problems of non-concurrency will be inevitable.

Of course, if a loss occurs and the assured is able to resume business without running afoul of government restrictions on labor, materials or rebuilding, no new problem will arise and all use and occupancy insurance will be liable for its pro rata share of the loss.

On the other hand, if a loss is prolonged because of government regulations, it will have to be divided into

two parts. The first part would be the shutdown for the time which it would have taken the assured to restore his business to normal operating condition had he been able to rebuild and get labor or materials without government interference. This part of the loss would be covered by all policies. The second part would be the aggravated period, running from the end of the first period to the time the assured is finally able to resume business. This part would be covered only by the older policies without the "priorities exclusion."

Some adjusters have compared this possible situation to a property insurance case, where two buildings, A and B, are insured blanket by one policy, X; building A alone is also insured by another policy, Y; and both are damaged.

For a loss of this type, where no co-insurance is involved, the National Board recommends the Cromie rule, which states that the blanket insurance (policy X) first pays the loss on property which it alone covers (building B) and then its remainder, if any, contributes with the specific insurance (policy Y) on the property covered by both policies (building A).

Assuming that this rule would apply to use and occupancy losses, the following case might occur: The assured might sustain a loss which is established at \$100,000, of which \$40,000

is caused by government restrictions—it being agreed that, had he been able to restore his property without government interference, his loss would have totaled \$60,000. He might have carried \$100,000 use and occupancy insurance (policy A) with no "priorities exclusion" and \$60,000 recently placed (policy B) with the exclusion clause.

Under these circumstances, policy A would be liable for the \$40,000 aggravation of loss, since it alone covers this. The remaining \$60,000 is prorated between both policies, each paying half of this basic loss, which is covered by both. Thus policy A pays \$70,000 and policy B pays \$30,000, and the assured collects in full.

This example, however, is the simplest possible case, since it assumes no coinsurance and presupposes adequate insurance to cover both portions of the loss. If either or both policies are under the coinsurance form, the limit-of-liability rule would probably have to be applied. This provides that the sound value and loss on each property covered by each class or kind of insurance must first be determined—the limit of liability on each class of insurance. This limit is the amount of insurance, the amount of loss, or the

coinsurance limit, whichever is smallest. The limits are then added. If the total exceeds the total loss, each group then pays in the ratio of its limit to the sum of all limits. If it is less, then each policy pays its limit of liability.

Determining the coinsurance limit of use and occupancy policies which cover different portions of a loss will admittedly be a tremendous job. In all major jurisdictions except the Middle West, an additional possible complication arises from the fact that some policies might be limited to a year's shutdown and others might be extended. If the policies should happen to be written on different forms, such as weekly and coinsurance, the complexities should make any adjuster shudder.

Finally, the "priorities exclusion" has never been tested by a court, and no one can offer anything but a guess as to its exact meaning. Adjusters and assureds could differ markedly as to when a structure could be restored had no government restrictions existed. More than one observer has foreseen a lawyers' gold mine should a very large loss involve all these possibilities. *The National Underwriter*, May 13, 1943, p. 7:1.

Short, Short Story

"**I**NJURY," said the workman.
"Inattention," said the foreman.
"Inflammation," said the physician.
"Incurable," said the hospital.
"Incredible," said the mourners.
"Interred," said the undertaker.
"In Peace," said the tombstone.

—*The Delta*

The Marine Insurance Situation

SO much has occurred in the marine insurance field that it is difficult, if not impossible, to render anything but a brief résumé of the various changes that are taking place.

There have been two tendencies which have seriously affected brokers: (1) the assumption by the government of the direct control of marine insurance, and the elimination of insurance on a major portion of export cargo (Lease-Lend); (2) the tendency of the government to control the rate of commission, and a concurrent move on the part of underwriters to reduce commissions.

Practically all imports of strategic goods, such as rubber, and consumption commodities are now controlled directly by the subsidiary corporations of the Reconstruction Finance Corporation and the Commodity Credit Corporation. This has resulted in control of marine insurance by government; and while in most cases the government still continues to insure against perils of the sea, it has not been insuring war risk.

As far as export business is concerned, this is largely Lease-Lend and as such is not insured. This has had the effect of eliminating from the marine market a large portion of the export business.

In all cases where the government has control of marine insurance, it has endeavored, mostly successfully, to dictate the rate of commission. On the whole, the government agencies have been fair in this respect.

The outstanding example of reduction in commissions by the marine companies occurred last July when they decided, with the cooperation of the brokers, to cut war risk commissions in half. With war risk rates running anywhere from 10 per cent to 25 per cent or 30 per cent, a 10 per cent commission was obviously difficult to justify. Consequently, after consultation with brokers, an agreement was reached to reduce commissions in the middle of the summer from 10 per cent to 5 per cent on all war risk premiums where the rate was higher than 1 per cent.

The War Shipping Administration is in course of amending charter terms for U. S. Flag vessels, the result of this (insofar as insurance is concerned) being to place the protection in the hands of the War Shipping Administration; but in order to keep the hull market alive for the duration so that it will be in a position to fill the postwar requirements of the American steamship owners, the government now proposes to insure all American hulls through a master policy, under which operating agents will declare their vessels. The War Shipping Administration also desires to preserve the status of marine insurance brokers and adjusters, and therefore brokers were asked to consult with the government and agree on a modified rate of commission. In view of the fact that brokers would not be called upon to negotiate the master contract, the rate

of commission was voluntarily reduced to 2½ per cent.

There are other profound changes taking place in the marine insurance profession. For instance, by June 1st, and possibly before, all open policies will be subject to a mandatory marine surcharge in lieu of the wartime surcharge and the former optional extended transit clauses. Both of these surcharges will be combined in what will be known as mandatory marine extension clauses, for which a flat additional premium will be charged instead of the wartime surcharge plus a separate additional charge for each delay or breach of transit or interruption.

Marine rates have in the past been promulgated on the assumption that goods will be promptly loaded, that the vessel will proceed by the shortest possible route to destination, and that

cargo will not be subject to serious deviation or extended delays. While such extensions and delays have been covered in the held-covered clauses of the policy upon declaration at additional rates, it has been impossible, because of inability to trace sailings, voyages, ports of calls, and arrival dates, to report delays and interruptions of transit. Therefore the extended transit clauses will soon become part of all open policy contracts and probably will be written as special policies as well. The net result of this will be that, where the marine rate on a liner basis has been ⅛ per cent or ¼ per cent, the combined mandatory surcharges will now make the marine rate anywhere from two or three times that rate up to five or six times, depending upon the conditions of insurance.

From a report by C. L. Despard to the Insurance Brokers' Association.

Safety Campaign Cuts Eye Injuries

SAFETY engineers at North American Aviation Co. began an extensive campaign to reduce the number of eye accidents among employees in the plant in August, 1941. Thirty-three per cent of all employee accidents had been eye injuries.

The safety campaign started with an inventory of all eye-protection equipment on hand. The survey showed 889 pairs of goggles and 483 face shields in the various tool cribs in the plant.

A large additional amount of protective equipment was secured. By August, 1942, there were 9,016 pairs of glasses and 4,911 face shields—13,927 pieces of protective equipment—available in the plant.

Each machinist who was in danger of sustaining an eye injury from the equipment he used was instructed to use an eye shield on the job. Shop foremen and supervisors were made responsible for seeing that employees in their departments wore this equipment.

Machines in the plant which threw bits of metal, or were otherwise considered a hazard for eyes, were equipped with special shields. Air-conditioning equipment was installed in sections where air-borne particles had been causing eye discomfort and injury.

The campaign had a marked effect. In August, 1942, eye accidents and injuries had dropped from 33 per cent to 14.7 per cent of the total of all medical cases treated at the plant hospital.

—Factory Management and Maintenance 4/43

How the Public Views the Insurance Business

NEARLY two-thirds of the American people regard the insurance business as honest and efficient, and the remaining one-third think it no better or worse than any other business, according to a public opinion survey conducted for the Bureau of Advertising, American Newspaper Publishers Association, by Industrial Surveys, Inc.

More than 98 per cent of the individuals polled say that insurance companies are entitled to a profit. The majority believe that 10 per cent is reasonable, while some would allow profits ranging from 20 to 50 per cent.

The local agent or broker is far ahead in public preference as the source of insurance service. More than 83 per cent voted for the local agent or broker and believe that he should be paid reasonable commissions for his services. The poll showed that 45 per cent of the people specify their preference for a company when buying insurance, the remainder leaving the selection of company to the agent.

The most important thing in selecting a company, according to this survey, is its financial responsibility, and the next most important factor is the company's record of paying losses. Apparently the public is generally satisfied with the handling of claims, with only 6 per cent expressing dissatisfaction over experiences they have had. More than 96 per cent of those questioned stated that they were pleased with the services of their agents and brokers.

—The National Underwriter 5/6/43

The Management Question Box

Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.

Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.

Additional Compensation for Supervisors

Question: In our plant, the differential between the foreman's pay and that of his subordinates is often wiped out by overtime payments to the non-exempt group. We anticipate growing dissatisfaction among the supervisory personnel on that score. What is the prevailing management practice with respect to paying additional compensation to foremen and supervisors to maintain an appropriate differential?

Answer: In May of this year, Automotive Parts and Equipment Manufacturers, Inc., of Detroit, published the results of a survey made to determine

company practice in paying extra compensation to foremen. Replies were received from 179 plants, employing a total of 8,287 exempt foremen. Of the total number of plants, 75.4 per cent, reporting on 92 per cent of the foremen, are paying some form of additional compensation. In July of 1941, 76.3 per cent of the foremen were being paid additional wages for extra hours worked.

A summary tabulation of the plans in force in the reporting companies follows:

Number of Plants	Salaried Foremen	Hourly Foremen
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44	638	26
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NO EXTRA PAY GIVEN, but

- 1 plant is awaiting WLB approval on increases in all rates and salaries, to meet new working conditions (5 salaried, 9 hourly-paid foremen).
- 4 plants say they are attempting to obtain WLB approval for payment on 6-day basis (44 salaried foremen).
- 1 plant gave increases prior to 10/3/42 to compensate 6 salaried foremen for overtime.
- 1 plant has not been able to evolve a plan to cover 112 salaried foremen as yet.
- 2 plants give time off if requested and if feasible to 40 salaried foremen.

135	6,683	940
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PAY EXTRA

179	7,321	966
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Where extra compensation is paid foremen, the following general plans are most common:

Twenty-one plants, employing a total of 3,979 salaried foremen, pay *time and one-half* after 40 hours, as do 33 plants with 640 hourly foremen. Twenty-one plants, employing a total of 1,367 salaried foremen and 10 hourly foremen, pay *straight time extra* for hours over 40. Twenty-nine plants, with 378 salaried foremen and seven hourly foremen, report various *bonus payments*. In the latter category, 10 plants (50 supervisors) pay a bonus at the end of the year; 10 plants (200 supervisors) pay an incentive, efficiency, merit or production bonus; three plants (50 supervisors) pay a monthly bonus; one plant (18 supervisors) pays a bonus to bring the supervisor's salary 25 per cent above his highest-paid subordinate.

Other plans include payment of *time and one-half* for Saturdays and Sundays; *time and one-half* for hours over 45 worked in one week, on the basis of a 40-hour week; *straight time extra* for hours over 45; *percentage increases* of from 10 to 15 per cent for a 48-hour week only; and *flat extra payments*.

One large corporation, not included in the above survey, reports that

all its foremen are on a salary basis and exempt under the Wage and Hour Law. A "base" salary is established for the foremen on the basis of a 40-hour week. All foremen receiving less than \$350 per month who are on a *scheduled* extended workweek in excess of 40 hours are paid time and one-half as an "extended workweek salary premium" for the time worked over 40 hours. Foremen with salaries of \$350 a month or more who are on a *scheduled* extended workweek are also paid an "extended workweek salary premium." In this case, however, the amount is such that the "gross" salaries of the foremen in this group will be equitable as compared with those of others in the organization who are receiving an "extended workweek salary premium."

Survey of Books for Executives

Job Instruction. By VERNON G. Schaefer. McGraw-Hill Book Company, Inc., New York, 1943. 316 pages. \$2.50.

*Reviewed by Carl Heyel**

Training Within Industry has given such wide currency to the tried and proved techniques of job instruction—and has done so with such competence—that no one who has had anything to do with production and personnel management during the last year or so should expect to find new or startling information in another book on the subject.

However, that is not to say that a well-organized recapitulation of fundamentals will not find its niche among

workers in this field. Although I find it hard to agree with Mr. Schaefer's prefatory remark that "very little has been done to provide the fundamentals of successful instruction for those who must be effective teachers of jobs in occupations and in industry," I do acknowledge that he has set on the counter a neat package, well worth the purchase price for at least two kinds of customers: (1) the man who must organize training in his company, and needs a good text for those whom he must train as job instructors; and (2) the relatively new job instructor who has been exposed to J.I.T. and other Training Within Industry techniques (or their like), and who wants a book that will tie together and provide added discussion of the principles he has been studying.

* Lehn & Fink Products Corporation.

The book is organized into four major sections (although the 13 chapters are not formally sectionalized). The first discusses the need for and responsibilities of industrial training. The second deals with subject matter and lesson planning, including material on job analysis and specification. The third, on the four steps of instruction (preparation, presentation, application, and follow-up), duplicates the steps used by J.I.T., which themselves, of course, are based on the earlier work of Charles Allen. The fourth section, containing chapters on motivation, elements of learning, and measures of accomplishment, will perhaps give the most additional information to the

reader whose formal study of teaching methods has not gone far beyond J.I.T. For example, Chapter XII, "Elements of Learning," is good, sound stuff for anyone who either trains people in industry or has a supervisory job that throws him into contact with "green" workers.

Mr. Schaefer's style is lucid. Appended to each chapter are case problems and questions, for readers who are conscientious enough to use such valuable aids to self-education.

Job Instruction is one of the series of books written by members of the staff of The Pennsylvania State College Extension Services for use in industrial classes.

Briefer Book Notes

THE MACHIAVELLIANS: *Defenders of Freedom*. By James Burnham. The John Day Company, Inc., New York, 1943. 270 pages. \$2.50. In this study of the Machiavellian tradition of political thought, the author makes frequent applications of Machiavellian principles to the problems of our own time. Those familiar with *The Managerial Revolution* will find that Mr. Burnham has brought to the surface many of the underlying principles upon which the theory of the managerial revolution was based; and at the same time he clarifies and adds to his earlier conclusions.

UNION AGREEMENT PROVISIONS. *Bulletin No. 686*, Bureau of Labor Statistics, U. S. Department of Labor, 1942. Available from the Superintendent of Documents, Washington, D. C. 356 pages. 35 cents. Provides a comprehensive collection of illustrations of the various provisions of written agreements between employers and employees in the United States. Practically all the subjects covered in union agreements are included in the 1,400 sample clauses cited.

THE NEW PHILOSOPHY OF PUBLIC DEBT. By Harold G. Moulton. The Brookings Institution, Washington, D. C., 1943. 93 pages. \$1.00. The traditional view has been that sound fiscal policy requires holding a nation's debt to as low a level as possible; but according to a new conception, which has gained acceptance in influential quarters, a continuous expansion of the public debt is necessary for prosperity, and the size of an internal public debt is immaterial. In this volume the new philosophy is analyzed with especial reference to its bearing on inflation.

TEST YOURSELF FOR A WAR JOB. By S. Vincent Wilking and Dorothy J. Cushman. Houghton Mifflin Company, Boston, 1943. 137 pages. \$1.50. A collection of 25 simple paper-and-pencil tests designed to reveal mechanical ability. The tests fall into three major categories: aptitude tests, "common-sense" tests, and tests of knowledge of things and functions mechanical.